

EXECUTIVE SUMMARY

The current Idaho economic outlook remains similar to the previous forecast, although some of the details have changed. In the October 2007 *Idaho Economic Forecast* nonfarm employment growth was expected to dip to 1.4% this year then accelerate through 2010. Over the 2007-2010 period, it was forecast to average 2.1% per year. In the current forecast, as in the previous one, Idaho nonfarm employment growth slows in 2008, and then it picks up speed thereafter. However, its average growth over the forecast period is slightly higher (2.3% versus 2.1%). By 2010, there are nearly 5,400 (0.8%) more jobs in the current forecast compared to the previous one. Most of the differences in employment reflect data revisions. In October it was reported there were an estimated 651,033 jobs in the third quarter, while the revised data show employment were 659,820 jobs. The data revisions have raised the starting point for the employment forecast, but they did not change its trajectory. As was mentioned above, Idaho nonfarm employment is expected to advance an average of 2.3% per year, which is just 0.2 percentage point faster than in the previous forecast. The Idaho personal income forecast has changed little since October 2007. For example, Idaho nominal personal income advances about 6.3% annually over the forecast period, compared to 6.4% in the previous forecast. In 2010, it is \$200 million (-0.4%) lower than in the previous forecast. Even after adjusting for inflation, Idaho personal income is just 0.5% lower in 2010 than the October amount. Since none of the historical personal income data were revised, none of these changes to the forecasts are attributable to a higher starting point. Instead, they reflect the impacts caused by economic fundamentals. Idaho's economy is expected to slow this year, and then it will gradually pick up speed during the remaining years of the forecast. As in the previous forecasts, Idaho is projected to expand faster than the national economy.

The national economic forecast comes with the warning that the economy's recent showing is not indicative of its future performance, especially in the short term. Rapid growth in the third quarter and a resilient labor market may suggest that the economy is doing just fine, but the storm clouds are still gathering. Growth is slowing, and the credit crisis has returned, threatening a more severe tightening in credit to households and businesses. Under these conditions, growth is expected to be zero in the fourth quarter, followed by weak but positive growth in the first quarter, before gradually improving over the rest of 2008. Key ingredients for this improvement are continuing robust export growth, lower oil prices, and a bottoming-out of housing starts by midyear. Housing remains the biggest drag on growth. Housing starts are forecast to hit bottom at just below 1.0 million units (annual rate) in the first half of 2008. Home prices will react more slowly than starts, but are heading lower too. Consumer spending growth will run at less than 1.5% annualized over the next three quarters. Slower growth in consumer and housing demand will make businesses more cautious about capital spending. The incentive to spend will be greatest for businesses who are selling into export rather than domestic markets. Nonresidential construction has boosted GDP growth throughout 2007. But the decline in home-building and the recent sharp tightening in credit conditions will begin to weigh on commercial construction. Fortunately, the falling dollar and relatively strong global economic growth should boost real net exports enough for the U.S. economy to skirt a recession. Falling prices should help gradually work off the huge housing inventory overhang, which will take an enormous weight off the economy's shoulders. Relieved of this burden, real GDP is expected to grow nearly 3.0% in each of the next three years.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2008**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
U.S. GDP (BILLIONS)												
Current \$	9,817	10,128	10,470	10,961	11,686	12,434	13,195	13,827	14,315	14,966	15,691	16,468
% Ch	5.9%	3.2%	3.4%	4.7%	6.6%	6.4%	6.1%	4.8%	3.5%	4.5%	4.8%	5.0%
2000 Chain-Weighted	9,817	9,891	10,049	10,301	10,676	11,004	11,319	11,563	11,779	12,118	12,469	12,832
% Ch	3.7%	0.8%	1.6%	2.5%	3.6%	3.1%	2.9%	2.2%	1.9%	2.9%	2.9%	2.9%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	31,290	33,054	33,849	34,816	38,123	40,414	43,917	47,294	49,986	52,894	56,164	59,874
% Ch	7.6%	5.6%	2.4%	2.9%	9.5%	6.0%	8.7%	7.7%	5.7%	5.8%	6.2%	6.6%
Idaho Nonfarm (Millions)	30,448	32,039	32,921	34,099	37,136	39,539	43,266	46,330	48,963	51,840	55,082	58,759
% Ch	8.5%	5.2%	2.8%	3.6%	8.9%	6.5%	9.4%	7.1%	5.7%	5.9%	6.3%	6.7%
U.S. (Billions)	8,430	8,724	8,882	9,164	9,727	10,301	10,983	11,662	12,204	12,797	13,458	14,163
% Ch	8.0%	3.5%	1.8%	3.2%	6.2%	5.9%	6.6%	6.2%	4.6%	4.9%	5.2%	5.2%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	31,289	32,376	32,690	32,970	35,167	36,214	38,295	40,234	41,717	43,423	45,286	47,424
% Ch	5.0%	3.5%	1.0%	0.9%	6.7%	3.0%	5.7%	5.1%	3.7%	4.1%	4.3%	4.7%
Idaho Nonfarm (Millions)	30,447	31,382	31,795	32,290	34,256	35,429	37,727	39,414	40,863	42,558	44,414	46,541
% Ch	5.9%	3.1%	1.3%	1.6%	6.1%	3.4%	6.5%	4.5%	3.7%	4.1%	4.4%	4.8%
U.S. (Billions)	8,429	8,545	8,578	8,678	8,973	9,231	9,578	9,922	10,185	10,506	10,852	11,219
% Ch	5.4%	1.4%	0.4%	1.2%	3.4%	2.9%	3.8%	3.6%	2.7%	3.2%	3.3%	3.4%
HOUSING STARTS												
Idaho	11,501	12,207	13,226	16,381	18,638	23,312	19,410	15,110	15,991	16,239	16,753	18,296
% Ch	11.0%	6.1%	8.3%	23.9%	13.8%	25.1%	-16.7%	-22.2%	5.8%	1.5%	3.2%	9.2%
U.S. (Millions)	1,573	1,601	1,710	1,854	1,950	2,073	1,812	1,346	1,035	1,312	1,540	1,717
% Ch	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-25.7%	-23.1%	26.8%	17.4%	11.5%
TOTAL NONFARM EMPLOYMENT												
Idaho	558,582	568,035	568,046	572,550	588,067	611,720	638,902	657,721	668,407	682,257	698,550	718,073
% Ch	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	2.9%	1.6%	2.1%	2.4%	2.8%
U.S. (Thousands)	131,792	131,832	130,347	129,990	131,423	133,696	136,175	137,994	139,152	140,872	142,675	144,536
% Ch	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.9%	1.3%	0.8%	1.2%	1.3%	1.3%
SELECTED INTEREST RATES												
Federal Funds	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.0%	3.6%	4.0%	4.8%	4.8%
Bank Prime	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	8.1%	6.6%	7.0%	7.8%	7.8%
Existing Home Mortgage	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.5%	6.0%	6.4%	7.0%	7.0%
INFLATION												
GDP Price Deflator	2.2%	2.4%	1.7%	2.1%	2.9%	3.2%	3.2%	2.6%	1.6%	1.6%	1.9%	2.0%
Personal Cons Deflator	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	2.5%	1.9%	1.7%	1.8%	1.8%
Consumer Price Index	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	2.1%	1.6%	1.9%	1.8%

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2007**

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2008**

	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	13,552	13,769	13,967	14,021	14,126	14,238	14,374	14,524	14,704	14,876	15,054	15,231
% Ch	4.9%	6.6%	5.9%	1.5%	3.0%	3.2%	3.9%	4.2%	5.1%	4.7%	4.9%	4.8%
2000 Chain-Weighted	11,413	11,520	11,659	11,660	11,683	11,734	11,807	11,891	11,985	12,074	12,164	12,252
% Ch	0.6%	3.8%	4.9%	0.0%	0.8%	1.8%	2.5%	2.9%	3.2%	3.0%	3.0%	2.9%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	46,384	46,818	47,611	48,363	49,074	49,626	50,290	50,956	51,795	52,499	53,253	54,030
% Ch	11.1%	3.8%	6.9%	6.5%	6.0%	4.6%	5.5%	5.4%	6.8%	5.6%	5.9%	6.0%
Idaho Nonfarm (Millions)	45,384	45,994	46,622	47,320	48,002	48,563	49,300	49,988	50,693	51,455	52,213	53,000
% Ch	8.4%	5.5%	5.6%	6.1%	5.9%	4.8%	6.2%	5.7%	5.8%	6.1%	6.0%	6.2%
U.S. (Billions)	11,469	11,577	11,742	11,861	12,010	12,137	12,262	12,405	12,562	12,716	12,874	13,038
% Ch	10.0%	3.8%	5.8%	4.1%	5.1%	4.3%	4.2%	4.8%	5.1%	5.0%	5.1%	5.2%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	39,942	39,898	40,406	40,692	41,153	41,510	41,898	42,308	42,821	43,197	43,612	44,063
% Ch	7.3%	-0.4%	5.2%	2.9%	4.6%	3.5%	3.8%	4.0%	4.9%	3.6%	3.9%	4.2%
Idaho Nonfarm (Millions)	39,081	39,196	39,567	39,815	40,254	40,621	41,073	41,505	41,910	42,337	42,760	43,223
% Ch	4.7%	1.2%	3.8%	2.5%	4.5%	3.7%	4.5%	4.3%	4.0%	4.1%	4.1%	4.4%
U.S. (Billions)	9,876	9,866	9,965	9,979	10,071	10,152	10,216	10,300	10,385	10,462	10,543	10,633
% Ch	6.3%	-0.4%	4.1%	0.6%	3.7%	3.2%	2.6%	3.3%	3.3%	3.0%	3.1%	3.5%
HOUSING STARTS												
Idaho	16,636	15,656	13,766	14,381	15,293	16,100	16,267	16,305	16,424	16,569	16,109	15,852
% Ch	41.4%	-21.6%	-40.2%	19.1%	27.9%	22.8%	4.2%	0.9%	3.0%	3.6%	-10.6%	-6.2%
U.S. (Millions)	1,460	1,464	1,304	1,156	0,985	0,992	1,057	1,106	1,194	1,288	1,357	1,410
% Ch	-22.1%	1.1%	-37.2%	-38.2%	-47.3%	3.0%	29.1%	19.7%	35.8%	35.3%	23.1%	16.6%
TOTAL NONFARM EMPLOYMENT												
Idaho	652,120	656,831	659,820	662,115	664,253	666,598	669,844	672,932	676,367	680,385	684,239	688,038
% Ch	4.2%	2.9%	1.8%	1.4%	1.3%	1.4%	2.0%	1.9%	2.1%	2.4%	2.3%	2.2%
U.S. (Thousands)	137,447	137,864	138,160	138,504	138,744	138,955	139,264	139,645	140,139	140,674	141,123	141,554
% Ch	1.5%	1.2%	0.9%	1.0%	0.7%	0.6%	0.9%	1.1%	1.4%	1.5%	1.3%	1.2%
SELECTED INTEREST RATES												
Federal Funds	5.3%	5.3%	5.1%	4.5%	3.8%	3.5%	3.5%	3.5%	3.5%	3.8%	4.2%	4.5%
Bank Prime	8.3%	8.3%	8.2%	7.6%	6.8%	6.5%	6.5%	6.5%	6.5%	6.8%	7.2%	7.5%
Existing Home Mortgage	6.4%	6.5%	6.8%	6.5%	6.1%	6.0%	5.9%	6.0%	6.0%	6.2%	6.5%	6.8%
INFLATION												
GDP Price Deflator	4.2%	2.6%	0.9%	1.5%	2.3%	1.4%	1.4%	1.3%	1.8%	1.7%	1.8%	1.8%
Personal Cons Deflator	3.5%	4.3%	1.7%	3.5%	1.3%	1.0%	1.6%	1.4%	1.7%	1.9%	1.9%	1.7%
Consumer Price Index	3.8%	6.0%	1.9%	4.5%	1.2%	0.6%	1.5%	1.2%	1.8%	2.1%	2.0%	1.7%

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